

Washington State Auditor's Office
Accountability Audit Report

**Central Puget Sound Regional Transit
Authority
(Sound Transit)
King County**

Report Date
October 2, 2006

Report No. 71956

Issue Date
January 5, 2007



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

January 5, 2007

Board of Directors
Sound Transit
Seattle, Washington

Report on Accountability for Public Resources

Please find attached our report on Sound Transit's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Audit Summary

**Sound Transit
King County
October 2, 2006**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of Sound Transit.

We performed audit procedures to determine whether the Authority complied with state laws and regulations and its own policies and procedures. We also examined Authority management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2005, through December 31, 2005.

RESULTS

The Authority complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets.

RELATED REPORTS

The Authority contracted to have its financial statements and federal programs audited by a private certified public accounting firm. The financial statements and audit report prepared by that firm are available from the Authority.

CLOSING REMARKS

We thank Authority officials and personnel for their assistance and cooperation during the audit.

Description of the Authority

Sound Transit King County October 2, 2006

ABOUT THE AUTHORITY

In 1992, the Washington State Legislature authorized King, Pierce and Snohomish counties to create a single agency to plan, build and operate a high-capacity transit system within the region's most heavily used travel corridors. During 1993, the Central Puget Sound Regional Transit Authority was established under the name Sound Transit.

In 1996, the Authority proposed, and the voters adopted, a ballot measure that created a 10-year regional transit system plan. This plan included two new rail systems (electric light-rail and commuter rail), regional express bus routes and a high-occupancy-vehicle expressway.

In 1999, the Authority began its transition from a planning to an operational agency by establishing regional bus routes linking Pierce and King counties. In addition, locomotives and passenger rail cars were purchased for the heavy rail system and sites were secured for rail station locations and the Authority's administrative offices.

The Authority is supported primarily through sales taxes, state motor vehicle taxes, rental car taxes, passenger fares, bond proceeds and grant funding from federal and state agencies. The Authority's 2005 budget totaled approximately \$836 million and included approximately \$708 million in capital outlay. The Authority has approximately 350 employees.

The Authority is governed by an 18-member Board of Directors, appointed by the executives of member counties and confirmed by the Council of each member county. Membership is based on the population from that portion of each county within the Authority's service area.

AUDIT HISTORY

We audit the Authority annually. In the last five audits of the Authority, we reported one finding in 2005. The status of that finding is presented in this report. We are not reporting any findings for the current audit

ELECTED OFFICIALS

These officials served during the audit period:

Board of Directors:

Chair

Vice Chair

Vice Chair

John Ladenburg, Pierce County Executive
Connie Marshall, City of Bellevue Mayor
Mark Olson, Everett City Councilmember
Fred Butler, Issaquah Deputy Council President
David Enslow, Sumner City Councilmember
Doug MacDonald, WSDOT Secretary
Richard McIver, Seattle City Councilmember
Julia Patterson, King County Councilmember
Larry Phillips, King County Council Chair
Aaron Reardon, Snohomish County Executive
Ron Sims, King County Executive
Claudia Thomas, Lakewood City Councilmember
Pete von Reichbauer, King County Council Vice Chair
Greg Nickels, City of Seattle Mayor
Julie Anderson, Tacoma City Councilmember
Mary-Alyce Burleigh, Kirkland City Councilmember
Dow Constantine, King County Councilmember
Richard Marin, Edmonds City Councilmember

APPOINTED OFFICIALS

Chief Executive Officer

Deputy Chief Executive Officer

Chief Financial Officer

Joni Earl

Vernon Stoner

Hugh Simpson

Note: The Deputy Chief Executive Officer left the Authority in August 2006. The position is currently vacant. Hugh Simpson left the Authority in mid-September 2006 and was replaced by Brian McCartan, who was the Assistant Chief Financial Officer under Mr. Simpson.

ADDRESS

Authority

401 S. Jackson Street
Seattle, WA 98104
(206) 398-5000
www.soundtransit.org

Audit Areas Examined

Sound Transit King County October 2, 2006

In keeping with general auditing practices, we do not examine every portion of the Sound Transit's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the Authority were examined during this audit period:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the Authority's accountability in the following areas:

- Billings and account receivables
- Cash receipts and revenues
- Payroll
- Cash disbursements
- Purchase of goods and services
- Credit cards

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Risk management
- Insurance and bonding
- Ethics/conflict of interest laws
- Board compensation
- Open Public Meetings Act
- Use of bond proceeds
- Sub-area equity
- Propriety of expenditures
- Travel expenses
- Land purchases and easements
- Competitive bid law compliance
- Public works contracts
- Contracts and agreements
- State prevailing wage requirements
- Selection of architectural and engineering firms
- STart Public Art Program
- Mitigation and relocation expenses

Status of Prior Audit Finding

Sound Transit King County October 2, 2006

The status of findings contained in the prior years' audit reports of Sound Transit is provided below:

1. **Sound Transit lacks documentation to demonstrate that \$104,425 paid to employees is allowed by state law.**

Report No. 69827, dated September 16, 2005

Background

As a result of employee reclassification studies completed in 2004, the Authority paid 15 employees over \$56,500 in retroactive pay increases. Without the expectation that retroactive payment would be made once the studies were completed, the Authority could not prove that the payments were not additional compensation for services already paid for. The Authority gave some of its employees \$47,925 in paid time off, which was not deducted from the employee's regular leave balance or convertible to pay (awarded time). The Authority selectively granted awarded time to employees on an informal basis to provide those employees with extra time off from the rigors of a recent busy work period. Those receiving awarded time did not document those extra hours worked and the Authority could not demonstrate this awarded time was for extra hours worked.

Status

We did not identify unsupported payments to employees during the current audit period.